NOTICE OF PROPOSED RULEMAKING
COLORADO DIVISION OF SECURITIES

Notice is given that Gerald Rome, Securities Commissioner, Colorado Division of Securities, Department of Regulatory Agencies, will hold a public hearing at **9:00 a.m. on Wednesday, December 3, 2014,** at the following location:

Colorado Department of Regulatory Agencies
Conference Room 975
1560 Broadway, 9th Floor
Denver, Colorado 80202

The public hearing is being held to: 1) amend Rule 51-4.7, which delineates "unfair and dishonest dealings" for the purpose of section 11-51-410(1)(g), C.R.S., to include violations of certain FINRA Rules, 2) amend Rules 51-4.3 and 51-4.4(IA) to enhance investor protection by improving the Division's ability to communicate with its licensees, and 3) repeal Rule 51-8.1.

At the public hearing, interested parties will be afforded an opportunity to be heard and submit written data, views, or arguments. The Commissioner may also allow oral presentations of such data, views, or arguments unless he deems such presentation unnecessary. Information and materials regarding the proposed rules will be available to any person at the Colorado Division of Securities, 1560 Broadway, Suite 900, Denver, Colorado 80202, and on the Division's website, http://www.dora.state.co.us/securities, at least five days prior to the public hearing. Additionally, a Statement of Basis and Purpose for each amendment and copies of the proposed rules are attached to this notice.

The Commissioner's authority to promulgate and rescind such rules is found in sections 11-51-101, *et seq.*, C.R.S, including parts 4 and 7.

Reasonable accommodation will be provided upon request for persons with disabilities. If you are a person with a disability who requires an accommodation to participate in this public hearing, please notify Lillian Alves at (303) 894-2320 by December 1, 2014.

51-4.7 Unfair and Dishonest Dealings

The following practices shall be deemed to be "unfair and dishonest dealings" for purposes of section 11-51-410(1)(g), C.R.S.:

A. Executing a transaction for a customer without legal authority or actual authorization of the customer to do so;

B. Recommending to a customer the purchase, sale or exchange of any security without reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the information furnished by the customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other information known by the broker-dealer or sales representative;

C. Acting in violation of the following SEC Rules

[for purposes of this Rule, the terms "broker" and "dealer" as used in the SEC Rules shall have the same meaning as "broker-dealer" as defined in Section 11-51-201(2), C.R.S., and the term "penny stock" shall have the meaning as set forth in SEC Rule 3a51-1, found at 17 CFR 240.3a51-1]:

1. a. SEC Rule 15c2-6, found at 17 CFR 240.15c2-6;

b. SEC Rule 15c2-11, found at 17 CFR 240.15c2-11;

2. Unless the subject transactions are exempt under SEC Rule 15g-1, found at 17 CFR 240.15g-1, or otherwise:

a. SEC Rule 15g-2, found at 17 CFR 240.15g-2;

b. SEC Rule 15g-3, found at 17 CFR 240.15g-3;

c. SEC Rule 15g-4, found at 17 CFR 240.15g-4;

d. SEC Rule 15g-5, found at 17 CFR 240.15g-5; or

e. SEC Rule 15g-6, found at 17 CFR 240.15g-6;

D. Failing or refusing, after a solicited purchase of securities by a customer in connection with a principal transaction, to execute promptly sell orders in said securities placed by said customer;

E. In connection with a principal transaction, imposing as a condition of the purchase or sale of one security, the purchase or sale of another security;

F. Failure by a sales representative, in connection with a customer's purchase or sale of a security which is not recorded on the books and records of the broker-dealer by which the sales representative is employed or otherwise engaged, to obtain the broker-dealer's

prior written approval of the sales representative's participation in the purchase or sale of the security.

G. Failing to comply with any of the following applicable fair practice or ethical standards contained in the following sections of the FINRA Rules:

1. Section 2000, Duties and Conflicts; and

2. Section 3000, Supervision and Responsibilities Relating to Associated Persons.

H~~G~~. In connection with the offer or sale of securities by mortgage broker-dealers and mortgage sales representatives:

1. Failing to provide to each investor prior to the time of the sale a written disclosure document which shall contain at least the following:

a. A description of the priority of the lien created by the security and the total face amount of any senior lien(s). (A title insurance policy running to the benefit of the purchaser may be provided in lieu of the description of the priority liens);

b. A statement as to whether any future advances may have a priority senior to that of the lien created by the security;

c. A copy of the most recent property tax statement covering the real property underlying the security;

d. The value of the real property underlying the security provided by either the tax assessed value if it is one hundred percent (100%) of the true cash value and is on the same property underlying the security, or an appraisal by an independent appraiser [subsequent to July 1, 1991, this appraisal must be performed by a licensed real estate appraiser under section 12-61-701, *et seq.*, C.R.S.];

e. The debtor's payment record on the instrument being sold for the two (2) years immediately preceding the sale or if not available, the payment record to date or a statement that payment records are not available, and a current credit report on the debtor prepared by a credit reporting agency or a current financial statement of the debtor;

f. The terms of any senior lien or a copy of the instrument creating the lien and any assignments;

g. A statement of any commissions, collection fees, and other costs chargeable to the purchaser of the security;

h. A prominent statement of any balloon payments;

i. In the case of a sale of a note, bond or evidence of indebtedness secured by a mortgage or deed of trust on real estate which is junior to one or more senior liens, a statement of the risk of loss on foreclosure of such senior lien(s); and

j. A statement as to whether or not the purchaser of the security will be insured against casualty loss;

2. Failing to deliver to the purchaser or licensed escrow agent or title company the original written evidence of the obligation properly endorsed or a lost instrument bond in twice the amount of the face value of the instrument, together with the original or a certified copy of the instrument creating the lien;

3. Failing in a timely manner to record or cause to be recorded the instrument creating the lien or assignment of lien involved in the county or counties where the property is located;

4. Causing an investor to sign a reconveyance of title, quit claim deed, or any like instrument before such instrument is required in connection with a transaction such as a payoff or a foreclosure;

5. Failing to deliver proceeds due to an investor within a reasonable time after receipt by the mortgage broker-dealer; or

6. In the case of a mortgage broker-dealer who undertakes to provide to an investor management and collection services in connection with the note, bond or evidence of indebtedness involved, failing to provide in writing to the investor that:

a. Payments received will be deposited in a specific loan escrow account immediately upon receipt by the mortgage broker-dealer;

b. Investor funds will not be commingled with those of the mortgage broker-dealer or used in any manner not specifically authorized in advance by the investor;

c. If the mortgage broker-dealer uses funds of the mortgage broker-dealer to make a payment due from the borrower to the investor, the mortgage broker-dealer may recover the amount of such advance from the specific loan escrow account when the past due payment is received by the mortgage broker-dealer from the borrower; and

d. That the mortgage broker-dealer will file a request for notice of default upon any prior encumbrance on the real property securing the obligation that is the subject of the servicing agreement and will promptly notify the investor of any default on such prior encumbrance, or on the obligation.

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1. The use of a senior specific certification or designation by any person in connection with the offer, sale, or purchase of securities, or the provision of advice as to the value of or the advisability of investing in, purchasing, or selling securities, either directly or indirectly or through publications or writings, or by issuing or promulgating analyses or reports relating to securities, that indicates or implies that the user has special certification or training in advising or servicing senior citizens or retirees, in such a way as to mislead any person shall be a dishonest and unethical practice in the securities, commodities, and investment business within the meaning of the Colorado Securities Act. The prohibited use of such certifications or professional designation includes, but is not limited to, the following:

    a. use of a certification or professional designation by a person who has not actually earned or is otherwise ineligible to use such certification or designation;

    b. use of a nonexistent or self-conferred certification or professional designation;

    c. use of a certification or professional designation that indicates or implies a level of occupational qualifications obtained through education, training, or experience that the person using the certification or professional designation does not have; and

    d. use of a certification or professional designation that was obtained from a designating or certifying organization that:

        (1) is primarily engaged in the business of instruction in sales and/or marketing;

        (2) does not have reasonable standards or procedures for assuring the competency of its designees or certificants;

        (3) does not have reasonable standards or procedures for monitoring and disciplining its designees or certificants for improper or unethical conduct; or

        (4) does not have reasonable continuing education requirements for its designees or certificants in order to maintain the designation or certificate.

2.

    a. There is a rebuttable presumption that a designating or certifying organization is not disqualified solely for purposes of paragraph 1(d) above when the organization has been accredited by:

        (1) The American National Standards Institute; or

(2) The National Commission for Certifying Agencies.

b. Certifications or professional designations offered by an organization that is on the United States Department of Education's list entitled "Accrediting Agencies Recognized for Title IV Purposes" may qualify when the certification or professional designation program also specifically meets the paragraph 1(d) requirements listed above.

3. In determining whether a combination of words (or an acronym standing for a combination of words) constitutes a certification or professional designation indicating or implying that a person has special certification or training in advising or servicing senior citizens or retirees, factors to be considered shall include:

a. use of one or more words such as "senior," "retirement," "elder," or like words, combined with one or more words such as "certified," "registered," "chartered," "adviser," "specialist," "consultant," "planner," or like words, in the name of the certification or professional designation; and

b. the manner in which those words are combined.

4. For purposes of this rule, a certification or professional designation does not include a job title within an organization that is licensed or registered by a state or federal financial services regulatory agency, when that job title:

a. indicates seniority or standing within the organization; or

b. specifies an individual's area of specialization within the organization

For purposes of this subsection, financial services regulatory agency includes, but is not limited to, an agency that regulates broker-dealers, investment advisers, or investment companies as defined under the Investment Company Act of 1940.

5. Nothing in this rule shall limit the Securities Commissioner's authority to enforce existing provisions of law.

STATEMENT OF BASIS AND PURPOSE

Amendment to Chapter 4 of the Rules Under the Colorado Securities Act
Colorado Division of Securities
[Date]

Pursuant to the authority found in the Colorado Securities Act (the "Act"), sections 11-51-101, *et seq.*, C.R.S., including parts 4 and 7 of the Act, the Securities Commissioner adopts the amendment to Rule 51-4.7 on [date adopted].

The general purpose of the amendment to Rule 51-4.7 is to include prohibited conduct identified in certain FINRA Rules in the rule that delineates "unfair and dishonest dealings" for the purpose of section 11-51-410(1)(g), C.R.S. Section 11-51-101(3), C.R.S. states that the Act "shall be coordinated" with the applicable federal acts and statutes to which references are made in the article. Furthermore, in *Cagle v. Mathers Family Trust*, 295 P.3d 460 (Colo. 2013), the Colorado Supreme Court stated, "The language of the [Act] shows the legislature's intent that Colorado securities law be coordinated with federal securities law ...." Broker-dealers and sales representatives are regulated by the Division of Securities at the state level and by FINRA at the federal level. Sections 2000 and 3000 of the FINRA Rules regulate the conduct of broker-dealers and sales representatives. Specifically, these sections prescribe broker-dealer and sales representative conduct regarding duties, conflicts, and supervision. Conduct that is prohibited at the federal level by FINRA should also be prohibited in Colorado. Thus, the proposed amendment would be consistent with the purposes and provisions of the Act by enhancing uniformity and coordinating the Act with federal-level regulations, as required by section 11-51-101(3), C.R.S. and *Cagle v. Mathers*.

The Securities Commissioner finds that the adoption of the permanent amendment to Rule 51-4.7 is necessary and appropriate in the public interest and is consistent with the purposes and provisions of the Act. The Securities Commissioner further finds, based on information provided by broker-dealers and sales representatives at the hearing on the proposed rule, that licensed broker-dealers and sales representatives who will be required to comply with the rule generally agree that the conduct prohibited by the rule does not meet prevailing standards of fair and honest dealings within the securities industry and that it is reasonable to expect the rule will prevent or deter such conduct. Finally, the Securities Commissioner finds that the record demonstrates the need for this rule, the rule is clearly and simply stated, proper statutory authority exists for the rule, the rule does not conflict with any other rules or statutes governing the Division of Securities, and the rule is coordinated with the federal acts and statutes and the rules and regulations promulgated thereunder to which references are made to the extent coordination with them is consistent with the purposes and provisions of the Act.

This general statement of basis and purpose is incorporated by reference in the rule adopted by the Securities Commissioner on [date adopted]. The rule will become effective on [effective date].

DATED this _____ day of _____.

Gerald Rome
Securities Commissioner

51-4.3 Application for a Sales Representative License

A. A person applying for a license as a sales representative in Colorado shall make application for such license and amendments to such application on Form U-4 (Uniform Application for Securities Industry Registration or Transfer).

B. A person affiliated with a FINRA broker-dealer applying for a license as a sales representative in Colorado shall send the application, any amendments to such application and any applicable fee, with check made payable to FINRA (or such other payee as FINRA or CRD may designate), through such FINRA broker-dealer, to the CRD with Colorado designated as a recipient state. An application and amendments to such application shall be deemed filed with the Securities Commissioner on the date CRD enters it if CRD verification is not required, or the date CRD verifies it if CRD verification is required.

C. A person who is not affiliated with a FINRA broker-dealer who is applying for a license as a sales representative in Colorado shall send the application and amendments to such application, through the broker-dealer or issuer with which the person is affiliated, to the Securities Commissioner.

D. Any applicant for a sales representative license must also file a Consent to Service of Process form (see Rule 51-7.1) with the Commissioner.

E. An applicant for a license under section 11-51-403, C.R.S., as a sales representative for a broker-dealer who is not registered as a broker-dealer under the 34 Act, including a mortgage sales representative, or for an issuer shall successfully complete the Uniform Securities Agent State Law Examination (Series 63) administered through FINRA.

F. In addition to the examination required by paragraph E above, an applicant for a license under section 11-51-403, C.R.S., as a sales representative for either a broker-dealer who is not registered as a broker-dealer under the 34 Act and whose securities business is limited solely to the offer and sale of direct participation investments involving real estate related securities or an issuer whose business is equally limited, in addition to the examination required in paragraph E above, shall successfully complete the Uniform Real Estate Securities Examination (Series 64) administered through FINRA. The Direct Participation Program Representative Examination (Series 22) or the Direct Participation Principal Examination (Series 39) administered through FINRA may be substituted for the Series 64 at the election of the applicant.

G. The examination requirements described in paragraphs E and F above may be satisfied upon proof that the respective examinations were successfully completed within the two (2) year period immediately preceding the date of the application for licensing.

H. A sales representative of an issuer that qualifies for an exemption from registration pursuant to Rule 51-3.15 is exempt from the licensing requirements of section 11-51-401(1), C.R.S. if:

1. That sales representative is an officer, director, partner, trustee, employee or other representative of the issuer; and

2. That individual acts as a sales representative only with respect to the offer and sale of securities for and on behalf of the issuer; and

3. That sales representative receives no commissions, fees or other special remuneration for or arising out of the offer and sale of securities.

I. No FINRA broker-dealer or SEC registered entity shall permit any applicant for a sales representative license in Colorado to apply for such a license, or any affiliated sales representative license in Colorado to continue to perform duties as a sales representative, unless such person has complied with the requirements of subparagraph (1) hereof.

1. Any applicant or affiliated sales representative must be lawfully present in the United States. An applicant or affiliated sales representative may verify their lawful presence in the United States by producing to FINRA broker dealer or SEC registered entity any of the following:

   a. Federal Form I-9 Employment Eligibility Verification Form;

   b. An executed affidavit stating that he or she is a United States citizen or legal permanent resident in a form substantially similar to Form AE;

2. Every FINRA broker-dealer or SEC registered entity shall record, maintain, and preserve in an easily accessible place the documentation, or copies thereof, which the applicant and affiliated sales representative produced which verifies their lawful presence in the United States.

J. A person who is not affiliated with either a FINRA broker-dealer or SEC registered entity, who is applying for a license as a sales representative in Colorado, or continuing to perform duties as a sales representative in Colorado, shall send with their application or renewal to the Securities Commissioner the following documentation:

1. Documentation verifying their lawful presence in the United States. A person may verify their lawful presence in the United States by providing to the Securities Commissioner the following:

   a. An executed affidavit stating that he or she is a United States citizen or legal permanent resident in a form substantially similar to Form AE;

2. Documentation verifying the applicant's identity by providing to the Securities Commissioner any of the following documents:

   a. Any Colorado Driver License, Colorado Driver permit, or Colorado Identification Card, expired less than one year (Temporary paper license with invalid Colorado Driver License, Colorado Driver Permit, or

Colorado Identification Card, expired less than one year is considered acceptable);

b. Out-of-state issued photo Driver's License or photo identification card, photo driver's permit expired less than one year;

c. Valid foreign passport with I-94 or validly processed for 1551 stamps;

d. Valid I-94 issued by Canadian government with L1 or R1 status and a valid Canadian driver's license or valid Canadian identification card;

e. Valid 1551 Resident Alien/Permanent Resident card. No border crosser or USA B1/B2 Visa/BCC cards;

f. Valid 1688 Temporary Resident Card, 1688B and 1766 Employment Authorization Card;

g. Valid U.S. Military Identification (active duty, dependent, retired, reserve and National Guard);

h. Tribal Identification Card with intact photo (U.S. or Canadian);

i. Certificate of Naturalization with intact photo;

j. Certificate of U.S. Citizenship with intact photo.

K. Sales Representative Email.

1. Each individual licensed as a sales representative in this state shall provide such individual's current business email address to the Division through the Division's website.

2. Each individual shall update their required email address promptly, but in any event not later than 30 days following any change in such email address.

3. Each individual shall comply with any Division request for such email address promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by the Division staff.

51-4.4(IA) Application for an Investment Adviser Representative License

A. A person applying for a license as an investment adviser representative in Colorado pursuant to section 11-51-403, C.R.S., shall make application for such license and any amendments to such application by completing Form U-4 (Uniform Application for Securities. Industry Registration or Transfer) in accordance with the form instructions and by filing the Form U-4 with IARD. The application for such initial licensing shall also include the following:

1. The fee required by section 11-51-403, C.R.S.;

2. Verification of the applicant's lawful presence in the United States by providing to the affiliated Investment Adviser any of the following documents:

   a. Federal Form I-9 Employment Eligibility Verification Form;

   b. An executed affidavit stating that he or she is a United States citizen or legal permanent resident in a form substantially similar to Form AE;

3. Documentation verifying the applicant's identity by providing to the affiliated Investment Adviser any of the following documents:

   a. Any Colorado Driver License, Colorado Driver permit, or Colorado Identification Card, expired less than one year (Temporary paper license with invalid Colorado Driver License, Colorado Driver Permit, or Colorado Identification Card, expired less than one year is considered acceptable);

   b. Out-of-state issued photo Driver's License or photo identification card, photo driver's permit expired less than one year;

   c. Valid foreign passport with I-94 or validly processed for 1551 stamps;

   d. Valid I-94 issued by Canadian government with L1 or R1 status and a valid Canadian driver's license or valid Canadian identification card;

   e. Valid 1551 Resident Alien/Permanent Resident card. No border crosser or USA B1/B2 Visa/BCC cards;

   f. Valid 1688 Temporary Resident Card, 1688B and 1766 Employment Authorization Card;

   g. Valid U.S. Military Identification (active duty, dependent, retired, reserve and National Guard);

   h. Tribal Identification Card with intact photo (U.S. or Canadian);

   i. Certificate of Naturalization with intact photo;

   j. Certificate of U.S. Citizenship with intact photo.

4. The Investment Adviser shall record, maintain, and preserve in an easily accessible place the documentation, or copies thereof, produced by the applicant or affiliated investment adviser representative in compliance with the subparagraphs (2) and (3) hereof.

5. Any other information the Securities Commissioner may reasonably require.

B. Any applicant for an investment adviser license must also file a Consent to Service of Process form (see Rule 51-7.1) with the Securities Commissioner.

C. An application and any amendments to such application shall be deemed filed with the Securities Commissioner on the date any required fee and all required submissions have been received by the Securities Commissioner.

D. An investment adviser representative is under a continuing obligation to update information required by Form U-4 as changes occur. In this regard, an investment adviser representative and the investment adviser must file promptly with IARD any amendments to the representative's Form U-4 to reflect such changes. Such amendment will be considered to be filed promptly if the amendment is filed within thirty (30) days of the event that requires the filing of the amendment.

E. Except as otherwise provided in sections F and G below, an applicant for a license under section 11-51-403, C.R.S., as an investment adviser representative shall obtain a passing score on one of the following examinations within the two (2) year period immediately preceding the date of the application for licensing:

1. The Uniform Investment Advisor Law Examination (Series 65 examination); or

2. The Uniform Combined Law Examination (Series 66 examination) and either:

   a. The General Securities Representative Examination (Series 7 examination), or

   b. An active agent registration or license (Series 7 examination qualified) within a two (2) year period immediately preceding the date of the application.

F. An investment adviser representative who has been licensed or registered as an investment adviser representative, or its equivalent, under the securities act of any state or jurisdiction and whose most recent license or registration in such capacity has been terminated for not more than two years immediately before the date of the application for licensing shall not be required to satisfy the examination requirement in section (E) above.

G. The examination requirements described in section (E) above may be satisfied upon proof of alternative qualifications or credentials in good standing including:

1. Designation of Chartered Financial Analyst (CFA) granted by the Association for Investment Management and Research;

2. Designation of Chartered Investment Counselor (CIC) granted by the Investment Adviser Association;

3. Certification as a Chartered Financial Consultant (ChFC) granted by The American College;

4. Designation of Certified Financial Planner (CFP) by the Certified Financial Planner Board of Standards;

5. Designation of Personal Financial Specialist (PFS) granted by the American Institute of Certified Public Accountants.

H. The annual license fee required by section 11-51-404, C.R.S. for an investment adviser representative shall be filed with IARD.

I. Investment Adviser Representative Email.

1. Each individual licensed as an investment adviser representative in this state shall provide such individual's current business email address to the Division through the Division's website.

2. Each individual shall update their required email address promptly, but in any event not later than 30 days following any change in such email address.

3. Each individual shall comply with any Division request for such email address promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by the Division staff.

STATEMENT OF BASIS AND PURPOSE

Amendments to Chapters 4 and 4 (IA) of the Rules Under the Colorado Securities Act
Colorado Division of Securities
[Date]

Pursuant to the authority found in the Colorado Securities Act (the "Act"), sections 11-51-101, *et seq.*, C.R.S., including part 7 of the Act, the Securities Commissioner adopts the amendments to Rules 51-4.3 and 51-4.4-IA on [date adopted].

The general purpose of the amendments to Rules 51-4.3 and 51-4.4-IA is to enhance investor protection by improving the Division of Securities' ability to communicate with its licensees. In general, the underlying purpose of licensure is to enhance investor protection by requiring a certain level of competency of licensees and prohibiting unfair and abusive practices by licensees. While the Division of Securities is charged with overseeing licensed individuals, it makes little sense to impede communication, and thereby decrease investor protection, by not allowing email communications between the Division and its licensees. There are a variety of circumstances where the Division needs to communicate with its licensees in a quick and cost-effective manner. For example, the Division may need to implement an adequate disaster recovery plan, elicit information to gain a better understanding of its licensees, notify stakeholders of proposed statutory changes, or deliver information such as news releases, alerts, Division sponsored events, or regulatory topics. In this technological era, it is in the public interest for the licensing authority to communicate electronically with those individuals who have been granted the privileges associated with a securities license in Colorado.

The Securities Commissioner finds that the adoption of the permanent amendments to Rules 51-4.3 and 51-4.4-IA are necessary and appropriate in the public interest and are consistent with the purposes and provisions of the Act. The Securities Commissioner further finds that the record demonstrates the need for these rules, the rules are clearly and simply stated, proper statutory authority exists for the rules, the rules do not conflict with any other rules or statutes governing the Division of Securities, and the rules are coordinated with the federal acts and statutes and the rules and regulations promulgated thereunder to which references are made to the extent coordination with them is consistent with the purposes and provisions of the Act.

This general statement of basis and purpose is incorporated by reference in the rules adopted by the Securities Commissioner on [date adopted]. The rules will become effective on [effective date].

DATED this _____ day of _____.

_____
Gerald Rome
Securities Commissioner

~~CHAPTER 8 EFFECTIVE DATE~~

~~51-8.1 Savings Provisions~~

~~For the purposes of section 11-51-802(3), C.R.S. (1990), the phrase "... an offering begun in good faith before July 1, 1990 ..." means an offering of securities in which at least one offer was made in good faith in Colorado prior to July 1, 1990.~~

STATEMENT OF BASIS AND PURPOSE

Amendment to Chapter 8 of the Rules Under the Colorado Securities Act
Colorado Division of Securities
[Date]

Pursuant to the authority found in the Colorado Securities Act (the "Act"), sections 11-51-101, *et seq.*, C.R.S., including part 7 of the Act, the Securities Commissioner repeals Rule 51-8.1 on [date adopted].

The general purpose of repealing Rule 51-8.1 is to simplify the Rules Under the Colorado Securities Act and avoid unreasonable burdens on participants in capital markets. Rule 51-8.1 is no longer necessary. The rule was adopted to clarify the phrase "an offering begun in good faith before July 1, 1990" in section 11-51-802(3), C.R.S. That section states that articles 51 and 52, as they existed prior to July 1, 1990, apply to any offer to sell or sale made on or before January 1, 1991, in an offering that began in good faith before July 1, 1990, on the basis of an exemption available under the prior law. Since January 1, 1991, has passed and the current versions of articles 51 and 52 now apply to any offer to sell or sale, Rule 51-8.1 is no longer necessary and repealing it avoids unreasonable burdens on market participants.

The Securities Commissioner finds that repealing Rule 51-8.1 is necessary and appropriate in the public interest and is consistent with the purposes and provisions of the Act. The Securities Commissioner further finds that the record demonstrates that the rule is no longer necessary.

This general statement of basis and purpose is incorporated by reference in the repeal of the rule adopted by the Securities Commissioner on [date adopted]. The rule will be effectively repealed on [effective date].

DATED this _____ day of _____.

_____
Gerald Rome
Securities Commissioner